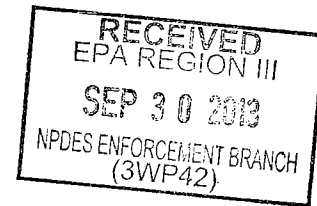




September 27, 2013

Via Overnight Mail

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
601 D Street NW, Room 2121
Washington, DC 20579-0001



Re: United States et al. v. Hovnanian Enterprises, Inc.
DOJ Case No. 90-5-1-1-08709
National Compliance Summary Report

To Whom It May Concern:

Pursuant to paragraph 18a of the Consent Decree entered into by the United States and Hovnanian Enterprises, Inc. please find enclosed the National Compliance Summary Report for the period from January 1, 2013 to August 5, 2013.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Dean Potter', is located below the word 'Sincerely,'.

Dean Potter

National Stormwater Compliance Representative

cc: Lori Kier, Esquire, U.S. EPA Region III
Peter Gold, U.S. EPA Region III
Director, Water Enforcement Division, U.S. EPA
Caroline Burnett, Office of the General Counsel, District Department of the Environment
Principal Counsel, Office of the Attorney General, MD Department of the Environment
Chief, Enforcement Division, Compliance Program, MD Department of the Environment
Director, Department of Conservation and Recreation, Commonwealth of Virginia
Elizabeth Andrews, Assistant Attorney General, Commonwealth of Virginia
Michael Zeto, Chief Inspector, WV Department of Environmental Protection
Jennifer Hughes, Esquire, WV Department of Environmental Protection
Michael Discafani, Esquire, Hovnanian Enterprises, Inc.
Jonathan Rinde, Esquire, Manko, Gold, Katcher & Fox, LLP
Ara Hovnanian, CEO, Hovnanian Enterprises, Inc.
Larry Sorsby, Executive Vice President & CFO, Hovnanian Enterprises, Inc.
Tom Pellerito, COO, Hovnanian Enterprises, Inc.
All Group and Division Presidents, Hovnanian Enterprises, Inc.
All Division Stormwater Compliance Representatives, Hovnanian Enterprises, Inc.

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

I. Overview

Pursuant to the requirements of the National Consent Decree, this overview provides a brief and general discussion of the data collected by Hovnanian Enterprises, Inc. ("Hovnanian") from January 1 to August 5, 2013. This is the fourth and final National Compliance Summary Report (the "Report") prepared in conformance with the National Consent Decree. This Report addresses nearly 300 individual sites in all states in which Hovnanian operates. The data presented herein demonstrate company-wide compliance with the Clean Water Act, permits issued pursuant to the National Pollution Discharge Elimination System ("NPDES") program, and the National Consent Decree.

The trend of improved compliance that Hovnanian has shown in past Reports has continued in 2013, as a result of the processes that Hovnanian has developed and implemented to ensure compliance with stormwater management requirements. For instance, in 2013, as in 2012, there were zero (0) days of discharge of pollutants from a Site to a water of the United States prior to obtaining coverage under an Applicable Permit. In 2013 there were two (2) failures to perform or document a required Pre-Construction Inspection and Review ("PCIR"), which is an improvement on the 2012 figure of three (3). Hovnanian properly performed and documented over 8,105 inspections of its construction sites in 2013, which represents a 99.7% compliance rate and is an improvement over 2011's 97.5% and 2012's 98.9% compliance rate for inspection of Sites.

The statistics in this Report also note that 579 Quarterly Compliance Inspections and 579 Quarterly Compliance Review forms were required during 2013. Of these totals, zero (0) Quarterly Compliance Inspections were missed, and zero (0) of the Quarterly Compliance Review Forms were either not performed or not signed within the time period set forth in the Consent Decree. Hovnanian had a properly trained Site Stormwater Compliance Representative at the time of a Quarterly Compliance Inspection 100% of the time. As in the past two years, there were no instances in 2013 of a Division Wide Compliance Summary Report being prepared late.

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

Hovnanian noted 23,340 Responsive Actions undertaken in 2013, with a failure to complete the Responsive Action within the time period required by the Applicable Permit or, if completed, failed to record the information in 888 instances, which represents a 96.2% compliance rate in performing timely Responsive Actions.

The statistical improvements in Hovnanian's compliance with Consent Decree requirements over the last three years reflect Hovnanian's company-wide recognition of the importance of the stormwater compliance, which is a direct result of the measures that Hovnanian has implemented pursuant to the Consent Decree. Hovnanian employees now routinely obtain and comply with Applicable Permits, perform site inspections and regular site maintenance, keep required records, and communicate with each other and contractors regarding compliance with stormwater requirements. When instances of noncompliance are discovered, they are addressed promptly and analyzed internally to determine what circumstances led to the noncompliance and whether additional training or new policies would have prevented the noncompliance. Hovnanian also notes that it has implemented the Consent Decree during an economically challenging time but has nevertheless demonstrated improved performance each year. In sum, Hovnanian believes that this final National Compliance Summary Report is indicative of Hovnanian's incorporation of stormwater compliance into its homebuilding business.

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

II. Information for Categories of Self-Reported Stipulated Penalties

<u>0</u>	Number of days of discharge of pollutants from a Site to a water of the United States prior to obtaining coverage under an Applicable Permit
<u>2</u>	Number of failures to perform or, if performed, a material failure to document a required Pre-Construction Inspection and Review
<u>27</u>	Number of failures to perform or, if performed, a material failure to document a required Site Inspection
<u>8,105</u>	Total number of required Site Inspections
<u>0</u>	Number of failures to perform or, if performed, a material failure to document a required Quarterly Compliance Inspection and Review
<u>1,158</u>	Total number of required Quarterly Compliance Inspection and Reviews
<u>0</u>	Number of Division Wide Compliance Summary Report prepared 1-7 days after deadline
<u>0</u>	Number of Division Wide Compliance Summary Report prepared 8-30 days after deadline
<u>0</u>	Number of Division Wide Compliance Summary Report prepared 31-90 days after deadline
<u>0</u>	Number of failures to have a Storm Water Trained Site Storm Water Compliance Representative at the time of a Quarterly Compliance Inspection and Review

III. Responsive Actions/SWP on Site

A. Responsive Actions

<u>23,340</u>	Total number of required Responsive Actions
<u>888</u>	Number of failures to complete Responsive Action within the time period required by the Applicable Permit or, if completed, a material failure to record the information.

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

B. SWP on Site

9 Number of failures to have, at the time of a Site Inspection, the SWP on site or its location posted

IV. Training Program

In last year's National Compliance Summary Report, Hovnanian described four improvements that it had made in 2012 to provide more targeted and timely training to field associates. Hovnanian has not made any significant changes to its Training Program since those changes were made. Hovnanian continues to implement its Training Program, including Refresher Training, and will do so until the Consent Decree is terminated. Hovnanian is satisfied with the scope and content of the current Training Program and does not believe that any further changes are necessary at this time.

In the future, after the anticipated termination of the Consent Decree, Hovnanian plans to continue to implement a training program that will be substantially similar to the one currently in place. Hovnanian considers continued training, even when not required by the Consent Decree, to be the best way to protect the investment it has made over the last three years in stormwater compliance. Hovnanian further notes that the Training Program has encouraged its field associates to evaluate the nuances of stormwater compliance and ask questions when necessary to ensure compliance. Currently, when Site Storm Water Compliance Representatives encounter challenges or questions in the field related to Consent Decree compliance, they contact either their Divisional Storm Water Compliance Representatives or the National Storm Water Compliance Representative to address those questions and develop a plan or process for compliance. Hovnanian expects that in the future its field associates will continue to contact their divisions or Hovnanian's headquarters to ensure compliance with Applicable Permits.

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

V. Signature and Certification

I certify under penalty of law, that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gathered and evaluated the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

DEAN POTTER
By: Dean Potter
National Storm Water
Compliance Representative

Dean Potter
Signature

9-27-13
Date

HOVNANIAN ENTERPRISES, INC. NATIONAL COMPLIANCE SUMMARY REPORT

VI. Distribution

This form shall be sent to the following:

Chief, Environmental Enforcement Section, U.S. Department of Justice

Lori Kier, Esquire, U.S. EPA Region III

Peter Gold, U.S. EPA Region III

Director, Water Enforcement Division, U.S. EPA

Caroline Burnett, Office of the General Counsel, District Department of the Environment

Principal Counsel, Office of the Attorney General, MD Department of the Environment

Chief, Enforcement Division, Compliance Program, MD Department of the Environment

Director, Department of Conservation and Recreation, Commonwealth of Virginia

Elizabeth Andrews, Assistant Attorney General, Commonwealth of Virginia

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